

MINUTES OF REGULAR MEETING OF COMMISSIONERS
OF PUBLIC UTILITY DISTRICT NO. 3
OF MASON COUNTY, WASHINGTON

President Bruce Jorgenson called a regular meeting of the Mason County PUD No. 3 board of commissioners to order at 10:00 a.m. The meeting was held in the PUD 3 auditorium, at 2621 E Johns Prairie Road in Shelton, Washington, on Tuesday, March 14, 2017.

District officers present were: Commissioners, Thomas J. Farmer, Linda R. Gott and Bruce E. Jorgenson. Manager Annette Creekpau; Finance Manager/Auditor Sherry Speaks; Treasurer Brian Taylor; and Attorney Robert Johnson.

The following PUD 3 personnel were present: Director of Business Services John Bennett; Director of Business Operations Michelle Burlison; Customer Service Manager Diane Hennessy; Engineering Services and Community Relations Manager Justin Holzgrove; Director of Engineering and Utility Services Dale Knutson; Engineering Project Manager – Metering Specialist Koral Miller; Public Information & Government Relations Manager Joel Myer; Energy Resources Manager Michele Patterson; Records Coordinator Jennifer Renecker; Safety Manager Bob Smith; Customer Service Revenue Protection Supervisor Mary Taylor; and Administration & Communication Services Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were: Colleen Walls of Belfair; Randy Lewis of Shelton; and Kathy McDowell of *City of Shelton Commissioner*.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as modified to include action item 6.c.; a recommendation to approve interlocal agreement with the City of Shelton for the annual right of way permit.

CONSENT AGENDA

Mr. Jorgenson reviewed the items listed on the consent agenda Mr. Farmer moved, motion seconded by Ms. Gott, to adopt the consent agenda. MOTION PASSED UNANIMOUSLY. By adopting the consent agenda, the following items were approved:

- a. Minutes of the February 21, 2017, regular commission meeting.
- b. Voucher Nos. (dated February 28, 2017) 140769 through 140845 — \$ 1,194,611.97
(Includes electronic funds transfer payment Nos. 6138-6298.)
- c. Voucher Nos. (dated March 7, 2017) 140846 through 140944 — \$ 118,957.71
(Includes electronic funds transfer payment Nos. 6299-6301.)
- d. Voucher Nos. (dated March 14, 2017) 140912 through 141030 — \$ 1,233,508.18
(Includes electronic funds transfer payment Nos. 6302-6471.)
- TOTAL \$ 2,547,077.86
- e. Void accounts payable check for the week ending February 24, 2017, in the total amount of \$53.00.

* Vouchers audited and certified by the district auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the board.

COMMENTS FROM THE PUBLIC

Colleen Walls addressed the commission in an attempt to have the advanced meter opt-out fee reduced. She expressed that she is concerned that the meters pose a health risk. In addition, she prompted the commission to hold evening meetings.

City of Shelton Commissioner Kathy McDowell stated that she is thrilled with the relationship between the city and Mason PUD 3. She noted that the right-of-way interlocal is an example of the partnership. She invited commissioners and staff to attend an upcoming city commission meeting.

ACTION ITEMS

A recommendation was made to prequalify contractors who meet the prequalification requirements to be included on the District's public works roster. The following contractors were recommended for approval:

Asplundh Tree Expert Co. of Woodinville, WA
Burke Electric, LLC of Bellevue, WA
Henkels & McCoy, Inc. of Portland, OR
Hood Canal Communications of Union, WA
JH Kelly, LLC of Vancouver, WA
KVA Electric, Inc. of Arlington, WA
Magnum Power, LLC of Kelso, WA
Michels Corporation, Michels Power Division of Neenah, WI
Moza Construction, Inc. of Tacoma, WA
PAR Electrical Contractors, Inc. of Hubbard, OR
Potelco, Inc. of Sumner, WA
Power City Electric, Inc. of Spokane, WA
Power Technology, Inc. of Woodland, WA
Saunders Line Construction, Inc. of Cheney, WA
Sturgeon Electric Company, Inc. of Troutdale, OR
Summit Line Construction of Heber City, UT

Mrs. Creekpauam explained that this is an annual process to approve contractors for the public works roster as required by law.

Mr. Farmer moved, motion seconded by Ms. Gott to prequalify the listed contractors for the public works roster. MOTION PASSED UNANIMOUSLY.

It was then requested that a decision be made regarding the Belfair customer service office location. Mrs. Creekpauam explained that she continues to be concerned for the safety of the Belfair customer service representatives (CSRs) and customers. She gave a range of lease amounts collected last year from vacant spaces in the Belfair area and asked for direction from the board. She noted that if the commission decides it doesn't wish to move the location of the CSRs, then she will proceed with other security and safety measures.

Ms. Gott said she has had increased concerns about safety since last year, however she wasn't sure the downtown location would resolve those issues. She noted some pros and cons from her perspective and concluded that she is not strongly leaning either way.

Mr. Farmer pointed out that in addition to the safety concerns for the CSRs, he felt there may be an opportunity to have a positive impact on a larger portion of the customers in the north end by providing a more convenient location centralized in the downtown Belfair area. He expressed however, that he would like to see some metrics before making a decision.

Mr. Jorgenson stated that this has been an ongoing issue for years and he believes that the customer service function belongs downtown Belfair. He voiced concerns about the safety of the staff, and traffic on Highway 3.

Mrs. Creekpauam confirmed that the number of customer service representatives would not change and the operation crews dispatched out of the current Belfair yard would not be impacted.

Mrs. Hennessy added that a new location would not only help with improved safety and security, but could potentially alleviate some staff coverage issues.

The commission directed the manager to provide additional information before a decision could be made.

Recommendation was made to approve an interlocal agreement with the City of Shelton for the recurring annual right-of-way permit. The agreement was approved by the city yesterday and provides access for the PUD to work within the city limits, when such work has minimal or no impact, without going through the traditional permit process. The agreement requires the PUD to pay \$1,000 per year to cover the cost of incidental permits that would normally be required. The agreement provides efficiency for both the city and the PUD.

Ms. Gott moved, motion seconded by Mr. Farmer to approve and authorize the manager to sign the interlocal agreement with the City of Shelton for the Recurring Annual Right of Way Permit. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpaum informed the commission that the Economic Development Council has been gathering key organizations such as the Port of Shelton, Mason Transit Center, the City of Shelton, and the PUD to meet on a regular basis to discuss, coordinate and help eliminate obstacles regarding the Shelton Hills Development project.

Mrs. Creekpaum announced that Cowlitz PUD has invited Mason PUD 3 and its commissioners to meet with Dan James, Deputy Director of the Bonneville Power Administration (BPA) on April 25 at their office in Longview, WA. The topic of discussion will be about the management and operations of the BPA as it relates to rates. They would like interested parties to submit questions ahead of time.

Mrs. Creekpaum announced that the PUD will begin using a new feature within the call capture portion of its enterprise software package of NISC that will make outbound phone calls automatically. She noted that the new feature will provide efficiencies for contacting customers for such things as past due reminders as well as providing planned outage notifications, etc.

Mrs. Creekpaum informed the commission that the online portion of the broadband customer survey is now complete and a report will be coming in April.

Mrs. Creekpaum announced that the sale of the downtown administration building to the Behavioral Health Organization is officially closed.

At Mrs. Creekpaum's request, Mr. Holzgrove provided the commission with a comprehensive report of engineering accomplishments throughout 2016. He gave updates on several projects including: customer connections; LED street and area light upgrades; grid modernization; ready-to-connect fiber network buildouts; general system improvement and maintenance projects; upcoming substation maintenance and upgrade requirements; tree trimming; as well as other notable projects completed in 2016.

At Mrs. Creekpaum's request, Ms. Patterson lead a discussion regarding potential options for funding costs associated with new substations and upgrades to existing substations in response to area growth. Ms. Patterson pointed out that the District's planning is timely since it may be faced with Tier II rates from the Bonneville Power Administration in 2018 and could be looking at building as many as four new substations within the next ten years. She informed the commission that EES Consulting was hired to do a cost of service analysis in order to help identify the best way to recapture these costs. She noted that EES identified three methods for cost recovery. They are: 1) recover all costs through retail rates, 2) recover all costs through substation charges, 3) hybrid – recover costs through a combination of retail rates and substation charges. Ms. Patterson explained that if the commission chose option 1, it would affect retail rates by approximately 2.1%. Option two would have no rate impact. Whereas option 3, would require a .5% rate increase. She noted that the system capacity fees would be based on a customer's amperage and voltage directly correlated with their impact on a substation. She noted that the District relies heavily on its substations for switching and backfeeding for reliability and redundancy so the allocation for system benefit would be 60% paid by the system capacity fees and 40% of the substation cost would be funded by the retail rates, since it provides a benefit to the entire District. Ms. Patterson explained that if the commission decided to go with option 3, the District would take \$2.5 million out of reserves to build the first substation and would begin collecting the system capacity fees which would go into a special fund to pay for future substations and related infrastructure.

Mrs. Creekpaum said that a formal recommendation would be made at the next meeting with a potential effective date of May 1.

At Mrs. Creekpaum's request, Mr. Myer gave a legislative update. He informed the commission of issues that could impact the utility or industry.

COMMISSIONERS' REPORT

Ms. Gott reported her attendance at the Energy Northwest meeting in Seattle. She also attended the American Public Power Association (APPA) Legislative Rally in Washington DC. In addition she attended a NoaNet meeting in Olympia and a Public Power Council meeting in Portland, OR.

Mr Farmer also noted that he attended the APPA Legislative Rally in Washington DC and the PPC meeting in Portland, OR.

GOOD OF THE ORDER

After a calendar review and with no further business appearing, the commission meeting adjourned at 11:13.

Bruce E. Jorgenson, President

ATTEST:

Thomas J. Farmer, Vice President

Linda R. Gott, Secretary